

December 27, 2005

VIA HAND DELIVERY

Ms. Mary L. Cottrell
Secretary
Department of Telecommunications & Energy
One South Station
Boston, Massachusetts 02110

**Re: D.T.E. 05-86 Investigation of Standards for Arrearage Management Programs
for Low-Income Customers, Pursuant to Section 17 of Chapter 140 of the Acts
of 2005**

Dear Ms. Cottrell:

Western Massachusetts Electric hereby submits to the Department of Telecommunications and Energy information on its Arrearage Management Programs as required by Chapter 140 of the Acts of 2005. If you have any questions regarding this information, please contact me at (617) 345-1067 or Robert Johnston at (860) 665-4773.

Respectfully submitted,

Donald M. Bishop
Manager, Regulatory Policy – Massachusetts

Attachment

**COMMONWEALTH OF MASSACHUSETTS
BEFORE THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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| Investigation of Standards for Low-Income |) | D.T.E. 05-86 |
| Customers Arrearage Management Programs |) | |
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ARREARAGE MANAGEMENT PROGRAM

Responses by Western Massachusetts Electric Company

December 30, 2005

I. Introduction

Section 17 of Chapter 140 of the Acts of 2005 ("Section 17") directs the Department of Telecommunications and Energy ("Department") to require Western Massachusetts Electric Company ("WMECO" or the "Company") and other Massachusetts electric and gas companies to file with the Department, by December 30, 2005, an arrearage management program for eligible low-income customers. Section 17 requires the filing to include all relevant operational details of the arrearage management plan. Prior to the passage of Section 17, the Department had required gas and electric companies to file

an arrearage management plan (Letter of General Counsel Andrew Kaplan to Stephen Klionsky, Esq., November 8, 2005). The Department's request included six questions and, in addition, requested information on WMECO's budget plan.

Subsequent to the enactment of Chapter 140 of the Acts of 2005 on November 22, 2005, the Department reiterated to WMECO the need to file an arrearage management plan, and, consistent with Section 17, required such plan to be filed by December 30, 2005 (Letter from General Counsel Andrew Kaplan to Stephen Klionsky, Esq., December 12, 2005).

In order to respond most clearly to the Legislature's and Department's directives, WMECO restates below each of the questions contained in the Department's November 8, 2005 letter and responds in full.

As a final introductory comment, however, WMECO believes that it is already in full compliance with Section 17. WMECO has had in place an arrearage management program, called the NUSstart program. The operation of this program was most recently included in the settlement approved by the Department in D.T.E. 04-106 (Amended Settlement Agreement, Section VIII, December 16, 2004). In fact, WMECO has reason to believe its NUSstart arrearage management program served as the model for the arrearage management program required by the Legislature in Section 17.

II. Responses to the Department's Questions

1. Please describe the arrearage management program in general.

WMECO's NUSstart Arrearage Management Program ("the Program" or "NUSstart") is a holistic approach to meeting the needs of financially challenged customers and emphasizes dissemination of information about personal budgeting, weatherization programs and available customer assistance programs.

Customers accepted into the Program have their arrearage removed from their current account balance and placed in a holding account (the arrearage no longer appears on their bill). A level budget payment is calculated for the customer based on their prior usage¹. Each month, when the customer pays their budget amount by

¹ The monthly budget payment is calculated as follows:

$$\text{Monthly Budget Payment} = \frac{((12 \text{ Most Recent Monthly bills}) - (\text{Expected Energy Assistance}))}{12}$$

the due date, the Company forgives a portion of the customer's arrearage. NUStart customers must pay their budget amount each month to remain active in the Program and receive their arrearage forgiveness benefit. Each month the customer will receive a congratulatory letter from the Company to acknowledge their payment and show them the amount of arrearage forgiveness they have received together with their reduced arrearage balance.

NUStart has three main goals:

1. To enhance service to the Company's financially challenged customers by providing a program that helps to decrease the likelihood of shutoffs.
2. To improve financial literacy of financially challenged customers and to increase awareness of and participation in energy assistance and conservation programs; and
3. To increase the frequency of payments from delinquent financially challenged customers by offering an incentive (arrearage forgiveness).

A customer's success in NUStart is dependent upon their ability and their willingness to make a personal commitment toward achieving the potential benefits. Company sponsored workshops help customers achieve reduced arrearages by promoting customer understanding of the Program; encouraging the adoption of the Program's underlying concept of regular monthly payments; and developing an increased level of financial literacy – concepts that are critical to both the long-term success of participating customers and of the Program.

NUStart also emphasizes educating Community Based Organizations or Community Action Agencies ("CAA" or the "Social Agencies") about the Program, its requirements and potential benefits.

2. Describe specific eligibility criteria for each component of the Program.

Please note whether eligibility in your plan (or any aspect of the plan) is limited to subsets of customers (e.g., low-income, elderly).

To be eligible to participate in NUStart, customers must:

1. Have a current fuel assistance payment or award of at least \$25 on their electric bill, or a fuel assistance payment commitment recorded on their account, or present a letter/memo from an agency, on agency letterhead with a check or commitment of fuel assistance to WMECO; and
2. Have a 60-day delinquent balance totaling at least \$100; and
3. Have income within 200% of the federal poverty income guidelines; and
4. Accept a budget payment plan.

Customers apply for NUStart by completing and returning a signed application to the Company. Applications will not be taken by telephone. New applications will be processed on a first-come, first-serve basis within the Program's target level of participation of 1,200² participants.

Customers accepted into the NUStart Program remain in the Program by paying their monthly budget bill, each month, before the next bill is issued. There are no payment extensions for monthly budget amounts. If payments are late, Special Assistance Team members will attempt both proactive phone and letter contacts encouraging customers to make their payments in order to remain in the Program.

Customers who wish to return to NUStart will be reinstated when they:

1. Notify the Company that they wish to be reinstated; and
2. Make up all payments missed up to the time of reinstatement, including any returned checks and applicable fees; and
3. Attend a Company sponsored MoneyMatter\$³ financial literacy seminar; and

² The program participation level will be reevaluated periodically.

³ For situations where a customer misses the required monthly budget payments to earn credit toward their outstanding balance, WMECO is partnering with the CAAs to provide the MoneyMatter\$ money management workshops to allow the customer reinstatement to the NUStart program. CAA personnel, along with WMECO representatives, will be professionally trained to conduct these workshops. In addition, the CAAs will receive compensation from WMECO for hosting and conducting each workshop. Additional information concerning MoneyMatter\$ is provided as Attachment 1.

4. Have not been dropped from the Program more than two times since initial enrollment.

3. Are credits toward an arrearage (i.e., arrearage forgiveness) available to customers under any circumstances (for example, for compliance with a payment plan)? If such credits are available, please describe.

Customers participating in NUSstart will receive a payment incentive in the form of arrearage forgiveness every month the customer pays the full budget bill before their next bill is issued. The incentive will be applied to their delinquent balance computed at the time of entry into the Program. The amount of the forgiveness will be the greater of:

1. \$10; or
2. 1/36th of their starting arrearage up to a maximum of \$599 per year.

If a customer fails to pay the current budget amount due by the due date for two consecutive months, the customer will be dropped from the NUSstart Program and be required to meet the previously discussed reinstatement requirements in order to continue to receive arrearage forgiveness benefits.

4. Is the arrearage management program coordinated with low-income weatherization services, fuel assistance agencies or community action programs, or with any type of assistance offered by the company? If so, please describe.

WMECO developed NUSstart in close collaboration with CAAs operating throughout its distribution service territory. Fuel assistance managers from CAAs located in Berkshire, Franklin, Hampshire, and Hampden counties participated in several development meetings with WMECO, providing important information about low income customer needs, agency operations, and community conditions, and provided valuable feedback and input in the design, structure, and implementation of the NUSstart program. In addition, Jerrold Oppenheim, of the Massachusetts Low Income Affordability Network (LEAN) provided support for the NUSstart initiative. In

this partnership, the CAAs have agreed to serve as WMECO's primary advocates for promoting the NUSstart program to eligible WMECO customers. These CAAs, along with many other smaller community and social service organizations, now act as distribution points for information pertaining to WMECO's NUSstart program.

Outreach efforts concerning NUSstart and other essential energy savings and assistance programs, i.e. Energy Bucks, MassSave, and Good Neighbor Energy Fund, are ongoing and will continue to be provided to social and consumer advocacy agencies within WMECO's service territory. To date, these efforts have been delivered through a variety of outlets reflecting a broad range of customers, and include;

- Presentations to CAAs, Neighborhood Councils, Family assistance organizations, Housing programs, Correctional agencies, Elder Services Centers,
- Radio outlets, Newspaper and television media,
- Bill inserts to electric customers,
- Direct mailings to customers potentially eligible for the NUSstart program, and
- Forums for industrial customers' employees and State and local Representatives.

5. State the number of customers participating in an arrearage management program as of November 1, 2005.

On November 1, 2005, 259 WMECO customers were actively participating in the NUSstart program. WMECO has seen an increase in Program participation in 2005 due to efforts by WMECO's Community Relations Department and Special Assistance Team to identify eligible customers and to educate the Social Agencies to raise awareness and enroll eligible clients.

6. Does the company evaluate the effectiveness of its arrearage management program? If data are available, please describe the effectiveness of the Program.

The Company does evaluate the effectiveness of the Program; however, there is a lack of available data given the limited time the Program has been in place at WMECO. As NUSstart is very similar to a program offered by WMECO's affiliate, The Connecticut Light and Power Company, there are some general findings that can be summarized about NUSstart's effectiveness.

- About 1/3 of customer participants are considered successful, where successful is defined as either maintaining an Active status or completing the Program (reducing arrearage to \$0 through continued participation).
- About 1/3 of customer participants are dropped from the Program for two consecutive months of non-payment, but almost 1/2 of active customers have dropped and reenrolled at some point.
- Warning letters notifying customers that their payment is overdue are effective with 3/4 of letters sent resulting in the customer making the payment and remaining in the Program.
- The lower the balance in arrears at the time of enrollment, the more successful customers appear to be. Early identification of eligible customers and prompt enrollment for those who qualify can reduce the drop rate and establish regular payment habits.
- The typical budget payment is less than \$60 per month.
- Nearly 90% of participants' accounts are coded to indicate that there is an illness, disability, or elderly person within the household.

III. CONCLUSION

WMECO respectfully requests that the Department consider WMECO's responses and looks forward to participating further in the Department's investigation of arrearage management programs.

MoneyMatter\$

Project Scope

Program Objective

MoneyMatter\$ objective is to assist and improve customer payment behaviors by enhancing their personal money management skills. The goal of *MoneyMatter\$* is to facilitate the customer's success in making continuous monthly payments to WMECO year-round, thereby receiving the arrearage forgiveness benefits of WMECO's NUSstart program.

MoneyMatter\$, in addition to supporting NUSstart, provides the customer with general training in expense and income management increasing their awareness of ways to manage their income. Most customers want to pay their bills, but many who are on limited incomes are unable to do so. Participation in a *MoneyMatter\$* workshop, along with payment assistance programs and awareness of energy conservation, can lead to improved customer payment success. In addition, participation in and the utilization of the Program techniques may help contribute to stabilizing families by helping them set and reach financial and personal goals.

Target Market

- Customers currently enrolled in WMECO's NUSstart program, who have not maintained their required monthly electric budget payment.

Services

- Facilitated *MoneyMatter\$* workshops including participant materials consisting of a workbook and activity sheets, a calculator, pencil and an energy saving, compact fluorescent light bulb.

Communication Strategy

- In November 2005, NUSstart brochures were mailed to 9,000 customers who potentially qualified for the NUSstart program.
- NUSstart and *MoneyMatter\$* information is presented to community agencies through ongoing low-income customer outreach strategies and at annual social agency meetings.

- Partnerships created with Community Action Agencies (CAAs) and Community Action Programs (CAPs) promote both programs to their clients and our customers.

Program Delivery

- WMECO is partnering with CAAs, CAPs, and other local agencies to present *MoneyMatter\$* workshops. WMECO provides training and workshop materials to these agencies.
- WMECO will identify and contact customers who are required to attend a workshop for re-enrollment in the NUSmart program.
- *MoneyMatter\$* workshops will generally be held once a month at participating agencies.

Presenter Responsibilities

- Attend a “Train the Trainer Workshop,” sponsored by WMECO.
- Two days prior to the workshop, call list of participants as a “reminder.”
- Record attendance on the workshop “Attendance Sheet.”
- Cover each topic outlined in the *MoneyMatter\$* Instructor’s Guide.
- Distribute and collect program evaluations.
- Forward completed attendance records and evaluations to:

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